HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
St. John's CMA

CANADA MORTGAGE AND HOUSING CORPORATION

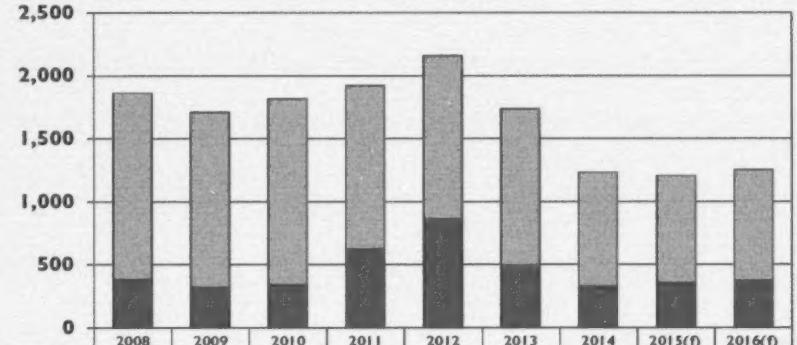
Date Released: Spring 2015

Highlights

- Stable housing market activity is expected due to the current low commodity price environment
- New home construction activity will be in line with demand
- Little change is anticipated for MLS® market and prices
- Rental market expected to grow through 2016

Figure 1

Slower New Home Construction Activity
Housing Starts- St. John's Region



	2008	2009	2010	2011	2012	2013	2014	2015(f)	2016(f)
Singles	1,485	1,385	1,479	1,302	1,292	1,243	907	850	875
Multiples	378	318	337	621	861	491	323	350	375

Source and Forecast: CMHC

Table of Contents

1 Highlights
2 New Home Construction
2 MLS® Sales and Prices
3 Rental Market
3 Economic Trends
4 Mortgage rates are expected to remain at or close to current levels over the forecast horizon
5 Trends at a Glance
5 Forecast Risks
6 Forecast Summary
7 Glossary of Terms, Definitions and Methodology
9 CMHC - Home to Canadians

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Canada

Housing market intelligence you can count on

CMHC SCHL
HOME TO CANADIANS

Figure 2

Source: CREA; Forecast: CMHC
MLS® is a registered trademark of the Canadian Real Estate Association (CREA)
Note: Eastern Region (St. John's) MLS® data unavailable prior to 2008 calendar year

New Home Construction

Following a lower number of housing starts in 2014, new home construction will remain slow in 2015 and 2016 and be more in line with demand. With speculation building essentially stalled among local home builders, new home construction activity will be back in line with demand over the forecast period and will be driven by new home presales. This is mainly due to slower economic growth compared to recent years caused by economic uncertainty and additional risks surrounding the current low commodity price environment, particularly oil. Elevated inventory levels within the local housing market in general, will result in muted price growth over the forecast period with prices at levels near the rate of inflation. The average single-detached price for a new home is expected to be around the $405,000 level this year and $410,000 in 2016. Despite lower demand for newly built homes, prices will continue to be supported by homebuyers' preference for high-end custom homes throughout the St. John's region.

After several years of very robust activity, the new home construction market slowed considerably, with 907 single-detached units started in 2014 and activity is expected to continue to remain slow through 2016. Single-detached housing starts will end this year at about 850 units and rebound slightly to 875 units in 2016. The current inventory of new single-detached dwellings on the market paired with little to no speculation building activity is expected to keep the new home construction market relatively stable this year and next.

The long standing trend of a basement apartment addition within the new single-detached bungalow home market is expected to continue over the forecast period. Given current house prices, some homebuyers have a need for this housing option because it allows for adding an income-generating apartment unit to offset their mortgage carrying costs. With many first-time buyers showing a preference for these two-apartment homes, demand for row and semi-detached homes will remain lower this year and next.

Fewer condo starts are also expected over the forecast period due to a rise in the number of new unabsorbed units. This is the result of record construction activity in the condominium market during 2012 and 2013. The largest segment of prospective condo buyers is the over 55 age group who will support condo demand throughout the St. John's area in the coming years. They continue to prefer to move from their current homes to a condo without taking on additional mortgage debt, but high condo prices have made it more challenging to make the transition mortgage free. As a result, lower-priced condo development and purpose built rental apartment activity is expected to rise in 2015 and 2016, while higher-priced condo development will slow as demand continues to decline.

The expected reduction in single-detached housing starts and condo starts over the forecast period will be partially offset by more multi-unit apartment rental and basement apartment construction activity. Following 323 units last year, it is expected that approximately 350 multiple units will start this year and 375 units in 2016. With 1,230 total housing starts recorded in 2014, expect 1,200 total housing starts for the St. John's area this year and 1,250 starts in 2016.

MLS® Sales and Prices

The St. John's area MLS® market is expected to remain relatively stable over the forecast period. MLS® sales should reach 3,200 units this year, down slightly from 2014's 3,281 sales, with 3,250 unit sales forecast for 2016. With new home sales accounting

for about one-third of total MLS® sales, the expected lower new home construction activity will contribute less to total MLS® sales over the 2015 to 2016 period. Despite a stable price environment, sales have trended down and inventory levels have been growing since 2012. As a result, sales activity is expected to be flat in both 2015 and 2016. Record new home construction activity throughout the St. John's region has been a significant contributor to average MLS® residential price growth over the past several years. With higher inventory in the local resale market and subdued demand for housing in general, the forecast is for little to no price growth through 2016. After several years of very strong growth, the average MLS® house price is forecast to move in line with or slightly below the rate of inflation to $307,000 this year and reach $310,000 in 2016. The move-up homebuyer segment, with expanding families and rising dual incomes, continues to drive demand for above-average priced two-storey and custom homes. This trend will support price growth, while below-to-average-priced bungalows, row and semi-detached homes, will remain appealing to first-time homebuyers and other modest income households.

Rental Market

Continued demand for rental units, paired with the introduction of newly completed units in the local apartment universe will provide growth within the rental market. Accordingly, average rents are expected to rise with the vacancy rate remaining unchanged over the forecast period.

An active labour market will continue to support the migration of workers to the St. John's area. House prices may discourage some from accessing homeownership as they may perceive renting as a more affordable alternative. Low tuition fees at Memorial University and local colleges also continue to attract both local and international students to the area, who are likely to rent as well, supporting rental demand.

New investment in purpose built multi-unit residential rental projects is also expected to continue this year and next. Accordingly, the vacancy rate for surveyed structures containing three or more rental units (two-apartment bungalow homes excluded) is expected to remain at 4.5 per cent through 2016. Despite recent increases, vacancy rates are historically low and as such, steady demand paired with new expensive units being added to the universe, will continue to drive average rents higher. Expect the average two-bedroom monthly rent to increase to $925 by the end of this year and $950 in 2016.

Economic Trends

Newfoundland and Labrador (NL) will remain below the pace of the other three provinces in Atlantic Canada in economic growth across the forecast period of 2015 to 2016, with GDP expected to decline 0.3 per cent in 2015 and rise by 0.3 per cent in 2016. The province's economic future will continue to be supported by projects focused on both energy and resource investment, though current commodity price weakness does pose some downside risk. This lack of provincial economic growth may impact the St. John's economy because the majority of the oil industry's economic activities have a direct impact on the capital city. Economic growth, however, will also be supported by consumer spending and continued offshore energy investment activity. Recent news about new oil fields and lease exploration agreements outside of the existing production areas will help support optimism and investment. These new projects are expected to stimulate additional economic activity over the next several years throughout the province and the St. John's region.

The province's labour market conditions softened in 2014 after four years of strong steady increases in both employment and labour force. Provincial employment growth is forecast to decline by about one per cent this year, with a rebound of 0.6 per cent growth in 2016. Labour force growth will remain close to zero per cent this year, resulting in a rise in the unemployment rate to about 13 per cent. The persistently high provincial unemployment rate will rise further in 2016 as labour force growth outpaces employment growth. Despite an aging workforce, the labour market is expected to be positive within the St. John's area this year and in 2016 as people continue to find employment in all sectors, however, the provincial labour market slowdown will have a negative impact on the local housing market.

Net migration for the province is expected to turn positive in 2015, due to an increase in interprovincial migration, after two years of declines. Immigration will begin to contribute positively to population growth in 2015 and 2016. The expectation is an addition of 250 people in 2015 and 450 people in 2016, after a decline of close to 300 people last year. This is also tied to the need for outside expertise as the economy begins to focus on new energy and resource investment opportunities. Overall, net migration is expected to be positive within the St. John's area this year and in 2015 and 2016 as people continue to be attracted to the region's healthy labour market and higher wages,

but not enough to influence housing demand materially to the upside, due to the uncertainty with the direction in commodity prices.

Weekly earnings in the St. John's area averaged $988 during the first quarter of 2015, down 2.9 per cent compared to a record first quarter average of $1,018 a year ago. This is the first quarterly decline recorded in earnings in ten years; however, they continue to remain among the highest in Canada, behind Alberta. Much of the recent growth in income and employment stemmed from the province's record capital project activity, which generated tremendous economic spinoff activity throughout the St. John's area since 2006. The recent sharp decline in the price of oil, however, has had a negative impact on oil related capital projects with oil companies having been forced to cut back on their capital expenditure programs. This is expected to have moderately negative implications on income and employment growth for 2015. Over the longer term, both the province's and St. John's economic future remain bright and will continue to be supported by projects focused on both energy and resource investment as well as other growth sectors of the economy.

Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Short-term mortgage rates are expected to remain near historically low levels which will continue to support housing demand over the forecast period.
Employment	An active labour market in St. John's area will remain supportive of the housing market.
Income	Average weekly earnings of close to $1,000 continue to drive real wage growth, which will contribute positively to housing demand.
Population and Net Migration	Population growth continues to be driven by positive net migration to the St. John's area and will help support demand for housing over the forecast period. Weaker commodity prices will impact demand as people won't spend if they are not certain about their future income and employment opportunities.
Resale Market	With the upward trend in listings, MLS® sales will remain flat, with price growth in line with the rate of inflation.

Forecast Risks

- The level of oil production and the price of oil represent the two greatest factors underpinning the local economy. This is also the most significant risk to the forecast in terms of both upside and downside risk potential.
- The current inventory of newly built homes for sale could have a larger than expected negative impact on housing starts for 2015 and 2016, if they are not absorbed at a rate that keeps the current level of inventory stable.
- House price growth since 2007 has led to historically high prices in the St. John's area. If interest rates or unemployment were to increase sharply, heavily indebted households could be forced to liquidate assets, including their homes. This could put downward pressure on house prices and, more generally, on housing market activity.

Forecast Summary St. John's CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	1,292	1,243	907	850	-6.3	875	2.9
Multiples	861	491	323	350	8.4	375	7.1
Starts - Total	2,153	1,734	1,230	1,200	-2.4	1,250	4.2
Average Price ($):							
Single-Detached	387,439	395,388	415,435	405,000	-2.5	410,000	1.2
Median Price ($):							
Single-Detached	345,000	359,000	377,939	368,500	-2.5	373,000	1.2
New Housing Price Index (% chg) (St. John's)	0.2	1.8	0.9	1.0	-	1.0	-
Resale Market							
MLS® Sales	3,871	3,617	3,281	3,200	-2.5	3,250	1.6
MLS® New Listings	7,284	8,045	8,685	8,700	0.2	8,800	1.1
MLS® Average Price ($)	285,529	301,333	306,405	307,000	0.2	310,000	1.0
Rental Market							
October Vacancy Rate (%)	2.8	3.2	4.6	4.5	-0.1	4.5	0.0
Two-bedroom Average Rent (October) ($)	798	864	888	925	4.2	950	2.7
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	115,800	114,000	116,300	118,000	1.5	119,900	1.6
Employment Growth (%)	5.7	-1.6	2.0	1.5	-	1.6	-
Unemployment rate (%)	7.4	6.3	6.0	6.2	-	6.0	-
Net Migration	2,791	2,789	2,055	1,900	-7.5	1,950	2.6

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube and Flickr.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2015 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

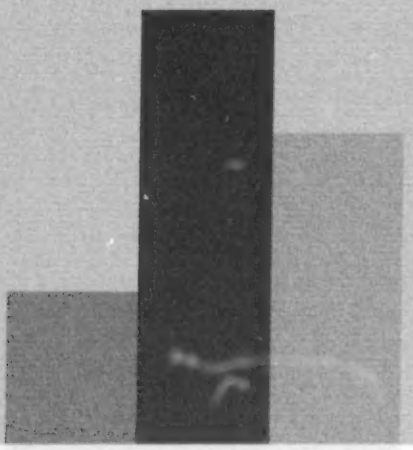
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

HOUSING MARKET INFORMATION PORTAL

The housing data you want, the way you want it

Information in one central location.

Neighbourhood level data.

Quick and easy access.

cmhc.ca/hmiportal

64271_2015_B01